

September 1, 2025

Nigeria | Equities Research | Oil & Gas | Company Update

TOTAL ENERGIES MARKETING NIGERIA PLC

Earnings to decline in FY'25E

BLOOMBERG: TOTAL NL

SELL

Target Price: N464.44

Ref Price: N640.00

The near-term outlook for TotalEnergies Marketing Nigeria Plc (TOTAL) remains weak, suggesting the need for significant change to its operating strategy in our view. The company posted a net loss of N2.9 billion in H1'25, dragged by weaker revenue, higher operating expenses, and a sharp rise in net finance costs. Performance was further pressured by intensified price competition in the downstream segment, as increased local refining capacity drove more competitive market pricing and dampened demand for TOTAL's products. In addition, the company's elevated cost structure and high leverage remain a burden on earnings potential for FY'25E.

We now forecast an operating profit CAGR of -10.8% over our forecast horizon compared to -6.3% previously. This new operating profit growth expectation resulted in a revised 12-month Target Price ("TP") of N464.44 (from N621.71 previously) with an unchanged SELL recommendation on the counter.

Revenue to decline YoY in FY'25E

For FY'25, we expect a reversion to revenue levels pre-subsidy removal for TOTAL. Accordingly, we have revised our FY'25 total revenue forecast downward to N862.2 billion (vs. N916.2 billion previously). By segment, we now project sales of White Products at N597.9 billion (vs. N652.0 billion earlier), while maintaining our Lubricant & Others forecast at N264.3 billion. For White Products, sales contracted by 30.4% YoY in H1'25, pressured by both the softer PMS pricing environment and weaker volumes. The YtD average PMS price declined by 13.6% as increased local refining capacity heightened competition, with Dangote-affiliated marketers particularly aggressive on pricing. Reflecting this trend, we have revised our FY'25 White Products revenue projection downward to account for sustained pressure on prices, volumes, and margins. In addition, further downside risks persist, as the Dangote refinery plans to phase out third-party distributors by deploying 4,000 company-owned trucks to deliver directly to marketers. This logistics integration is expected to cut transport costs and lower effective pump prices, a shift that could further erode TOTAL's competitive positioning unless it recalibrates its pricing and distribution strategy.

Meanwhile, the Lubricant & Others segment continues to provide a crucial cushion against the weakness in White Products. Revenue from this category grew by 21.6% YoY in H1'25, contributing 30.4% to total revenue during the period. Supported by strong demand, the current run rate, and earlier price

Tomiwa Adeniji

tomiwa.adeniji@cardinalstone.com

Adebayo Adebajo, ACA

adebayo.adebajo@cardinalstone.com

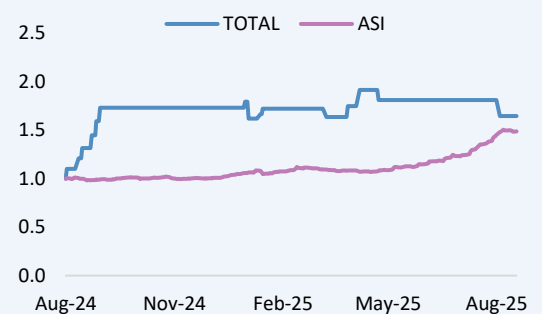
Philip Anegebe, CFA

philip.anegebe@cardinalstone.com

(Team Lead)

Market Data	TOTAL
Market Cap (N'mn)	217,294.00
Last close price (N)	640.00
52-week High/Low price (N)	745.00/576.00
Avg. 3M daily volume ('mn)	0.09

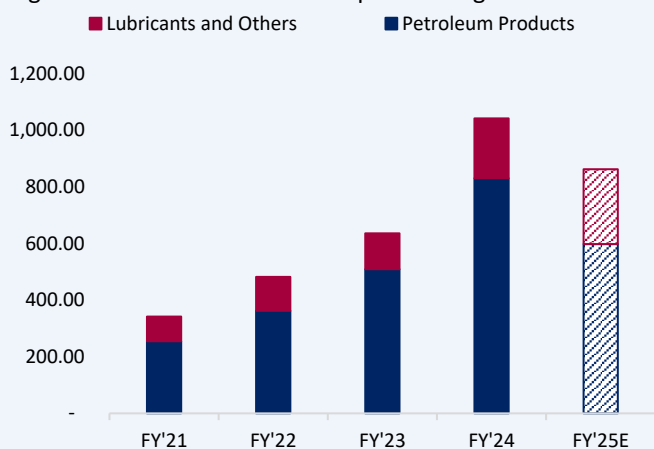
1 year price performance rebased



Source: NGX, CardinalStone Research

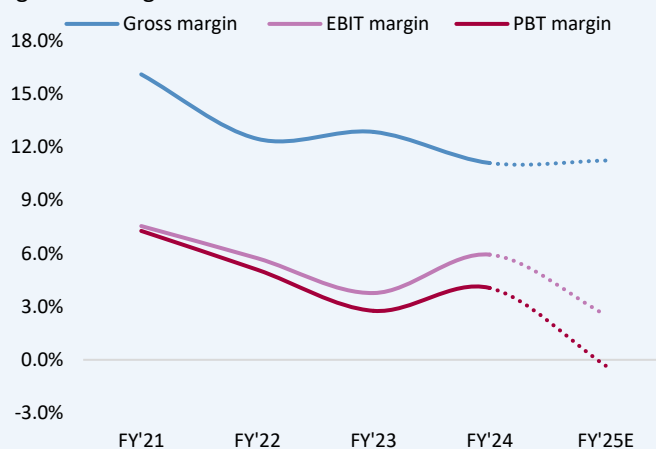
adjustments following higher global lubricant production input costs, we have maintained our FY'25 sales forecast for this segment.

Figure 1: FY'25E revenue across product segments



Source: Company financials, CardinalStone Research

Figure 2: Margins to contract in FY'25E



Earnings plunge on elevated finance costs

We have maintained our FY'25 gross margin forecast at 11.3%, while revising our EBIT margin forecast downward to 2.5% (vs. 3.9% previously), reflecting elevated operating expenses. On gross margin, cost of sales is expected to move in tandem with revenue, consisting of product purchases, utilisation, and provisions. Notably, raw material cost, which constitutes c.97.6% of COGS, fell by 18.5% YoY in H1'25, likely a function of weaker sales volumes—a trend we expect to persist through year-end.

Similarly, the lower EBIT margin is driven by higher expected administrative expenses in line with the H1'25 run rate. However, the more material adjustment to our model stems from finance costs. As mentioned in our previous report, TOTAL's growing reliance on bank overdrafts has become a key earnings headwind. In H1'25 alone, the company's total overdraft position rose to N116.2 billion (vs N103.15 billion in Q1'25) at an effective interest rate of 25.0%. This sharp increase in leverage has already dragged on profitability, and with operating cash flows still in negative territory. Consequently, we now forecast FY'25 net finance costs of N24.7 billion, pushing PBT into negative territory.

Figure 3: TOTAL's cash conversion cycle (CCC) to improve in FY'25E

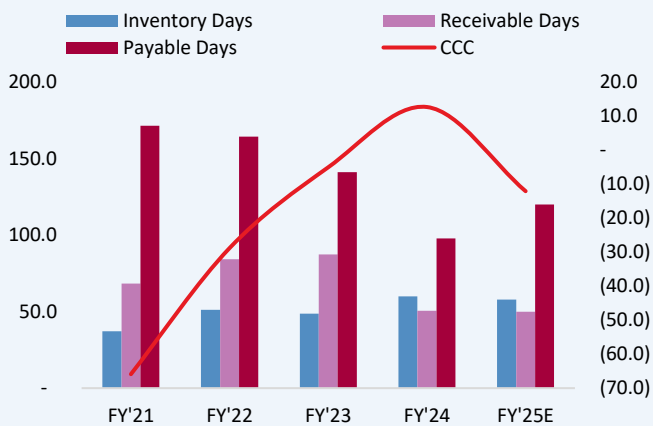
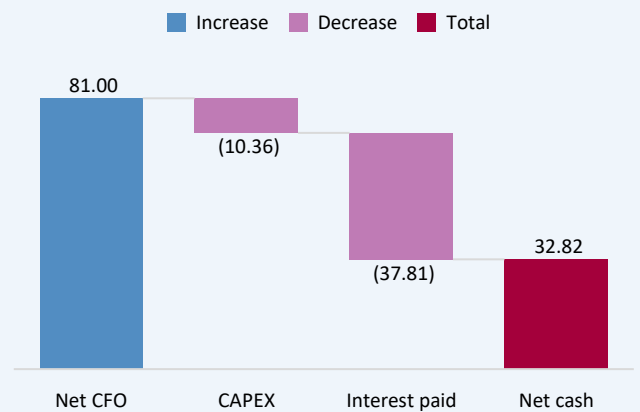


Figure 4: FY'25E cashflow distribution (N'billion)

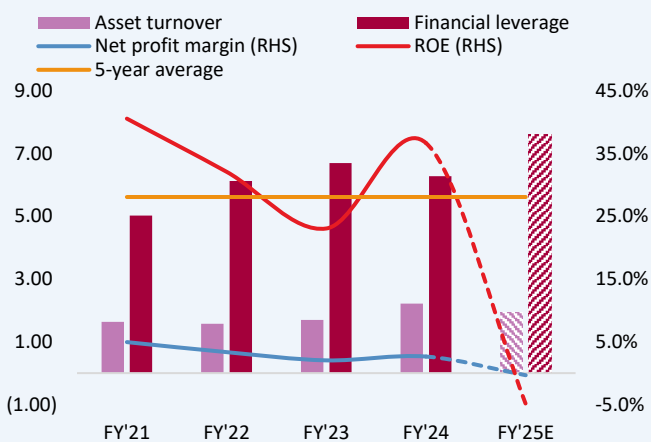


Source: Company financials, CardinalStone Research

ROE set to worsen in FY'25E

A three-way DuPont decomposition of TOTAL's FY'25 ROE highlights that a combination of weaker profitability, slower asset turnover, and a sharp rise in financial leverage drives the anticipated moderation in the profitability metric. Specifically, net profit margin is projected to contract to negative 0.3% (vs. 2.6% in FY'24), while asset turnover should moderate to 1.94x (vs. 2.21x in FY'24). Meanwhile, financial leverage is forecast to rise to 7.6x (vs. 6.3x in FY'24), reflecting the company's increased reliance on bank overdrafts. Taken together, the compounding effect of higher leverage, weaker margins, and softer turnover is likely to drag ROE sharply lower to negative 4.9% in FY'25E (vs a robust 36.6% in FY'24). This projection highlights potentially greater pressure on shareholder returns unless there is a material shift in funding strategy or operating performance.

Figure 5: ROE to plummet in FY'25E

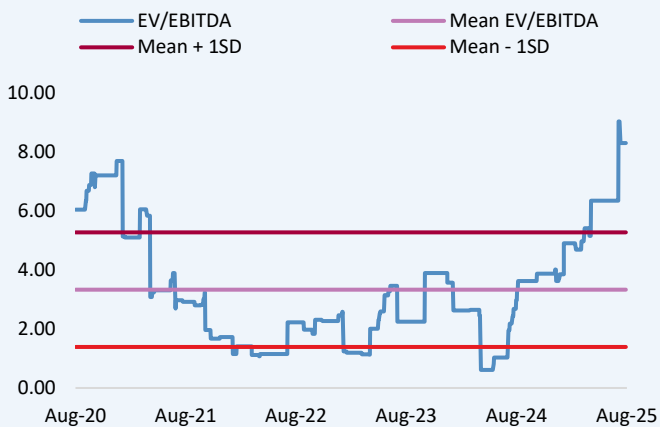


Source: Company Financials, CardinalStone Research

Valuation and rating

Using a blended valuation approach, we arrived at a revised 12-month TP of N464.44 (vs. N621.71 previously), implying a potential downside of 27.4% and reinforcing our SELL recommendation. On a relative basis, the stock screens as expensive, trading at an EV/EBITDA multiple of 8.3x, well above its 5-year average of 3.3x.

Figure 6: TOTAL is currently trading at a premium, relative to its 5-year EV/EBITDA average



Source: CapitalIQ, CardinalStone Research

Figure 7: TOTAL's summary of financials

Income Statement (N'm)	2023A	2024A	2025E	2026E
Revenue	635,952	1,041,904	862,232	991,567
COGS	(554,132)	(926,151)	(765,231)	(879,519)
Gross profit	81,820	115,753	97,001	112,047
Other Income	4,333	30,803	11,080	9,767
OPEX	(50,678)	(79,458)	(86,223)	(97,669)
Net FX gains/(losses)	(11,501)	(5,232)	-	-
EBIT	23,974	61,866	21,858	24,145
Net Interest	(6,393)	(19,610)	(24,742)	(17,793)
PBT	17,581	42,256	(2,884)	6,352
Tax	(4,668)	(14,760)	-	(1,906)
PAT	12,913	27,496	(2,884)	4,447
EPS	38.03	80.99	(8.49)	13.10
DPS (NGN)	25.00	40.00	0.00	6.55
Payout ratio	65.7%	49.4%	0.0%	50.0%
Shares outstanding (m)	339.5	339.5	339.5	339.5

Cash Flow Statement (N'm)	2023A	2024A	2025E	2026E
Cash flow from operating activities	(73)	10,059	80,995	31,464
o/w Depreciation & amortization	8,185	9,142	10,197	10,458
o/w Changes in working capital	(38,768)	(62,339)	46,698	(1,234)
Cash flow from investing activities	(5,762)	(22,884)	(10,362)	(11,917)
o/w Capital expenditure	(7,191)	(25,328)	(6,898)	(7,933)
as % of sales	1.1%	2.4%	0.8%	0.8%
Cash flow from financing activities	(86,179)	(62,127)	(37,810)	(43,004)
o/w Dividends paid	(11,104)	(8,110)	(13,581)	-
o/w Debt issued/(repaid)	(240,787)	(162,318)	513	(25,211)
Opening Cash and cash equivalents (incl. FX diff.)	180,173	166,266	91,313	124,136
Net change in cash	(92,014)	(74,953)	32,823	(23,457)
Closing Cash and cash equivalents	88,159	91,313	124,136	100,679

Balance Sheet (N'm)	2023A	2024A	2025E	2026E
Cash and cash equivalents	88,159	91,313	124,136	100,679
Accounts receivable	152,113	144,135	118,114	135,831
Inventories	73,906	152,024	121,416	134,731
Other current assets	2,524	4,660	4,237	4,785
Current assets	316,703	392,132	367,903	376,026
PP&E	43,131	61,728	60,954	61,244
Intangible Assets	207	133	105	88
Other non-current assets	15,075	17,129	16,448	17,635
Total assets	375,116	471,123	445,411	454,992
Short-term borrowings	84,541	115,700	116,214	91,003
Payables	214,106	248,002	251,583	281,928
Other short-term liabilities	9,876	20,638	6,880	6,880
Current liabilities	308,522	384,340	374,677	379,811
Long-term debt	-	-	-	-
Other long-term liabilities	10,516	11,701	12,119	12,119
Total liabilities	319,038	396,042	386,795	391,930
Shareholders' equity	56,078	75,081	58,616	63,063
Total liabilities & equity	375,116	471,123	445,411	454,992
BVPS	165.2	221.1	172.6	185.74
Net debt/(cash)	(3,618)	24,387	(7,923)	(9,677)

Ratio Analysis	2023A	2024A	2025E	2026E
Gross Margin	12.9%	11.1%	11.3%	11.3%
EBIT Margin	3.8%	5.9%	2.5%	2.4%
PBT Margin	2.8%	4.1%	-0.3%	0.6%
Net Profit Margin	2.0%	2.6%	-0.3%	0.4%
ROE	23.0%	36.6%	-4.9%	7.1%
ROA	3.8%	6.5%	-0.6%	1.0%
ROIC	7.7%	14.3%	5.1%	6.6%
ROCE	36.0%	71.3%	30.9%	32.1%
OPEX/Sales	8.0%	7.6%	10.0%	9.9%
Net debt/Equity (x)	0.0	0.3	-0.1	-0.1
Net debt/EBITDA (x)	-0.1	0.3	-0.2	-0.3
Sales/Assets (x)	1.7	2.2	1.9	2.2
Assets/Equity (x)	6.7	6.3	7.6	7.2
Interest cover (x)	3.8	3.2	0.9	1.4
Tax Rate	26.6%	34.9%	0.0%	30.0%

Valuation	2023A	2024E	2025E	2026E
P/E (x)	11.2	8.3	-78.9	51.2
P/BV (x)	2.6	3.0	3.9	3.6
EV/EBITDA (x)	4.4	3.5	6.8	6.3
Dividend Yield	5.8%	6.0%	0.0%	1.0%

Source: Company financials, CardinalStone Research

Note: N in millions (except per-share data). The fiscal year ends in December. o/w - out of which

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